

AUDIT REPORT

TOWN OF WHITEFIELD, OKLAHOMA

JUNE 30, 2014



KERSHAW CPA & ASSOCIATES, PC

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TOWN OF WHITEFIELD, OKLAHOMA
JUNE 30, 2014

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TOWN OF WHITEFIELD, OKLAHOMA
JUNE 30, 2014

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TOWN OF WHITEFIELD, OKLAHOMA
LIST OF BOARD MEMBERS
JUNE 30, 2014

ELECTED OFFICIALS

| <u>NAME</u> | <u>POSITION</u> |
|---------------|-----------------|
| LARRY MCGUIRE | MAYOR |
| JIMMY WIXOM | TRUSTEE |
| JOHN BERRYMAN | TRUSTEE |
| IVA LEIRD | TRUSTEE |
| TERRY BASTA | TRUSTEE |

TOWN CLERK/TREASURER

BARBARA SHUMATE

Unaudited

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Whitefield, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Whitefield, Oklahoma, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of

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accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion

The modified cash basis of accounting requires that items, having substantial support in U.S. generally accepted accounting principles, such as capitalizing assets at historical cost and recording depreciation, be recorded in the financial statements. The Town has not maintained accurate capital asset records to support the historical cost of past capital asset purchases and the related depreciation. Documentation supporting historical cost and depreciation was not readily available for our review. The amount by which this departure would affect the assets, net position, and expenses of the Governmental & Business-Type Activities is not readily determinable.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Town of Whitefield, Oklahoma, as of June 30, 2014, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

The introductory and supplementary sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Town. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2014, on our consideration of the Town of

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Whitefield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Town of Whitefield's internal control over financial reporting and compliance.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Kershaw CPA & Associates, P.C.

Kershaw CPA & Associates, PC

August 27, 2014

TOWN OF WHITEFIELD, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2014

| | Governmental Activities | Business-Type Activities | 2014 Total |
|--------------------------------------------|----------------------------|-----------------------------|-------------------|
| <u>ASSETS</u> | | | |
| <u>Current Assets:</u> | | | |
| Cash and cash equivalents | \$ 162,382 | \$ 58,128 | \$ 220,509 |
| Due from Other Funds | - | - | - |
| Total Current Assets | 162,382 | 58,128 | 220,509 |
| <u>Other Assets:</u> | | | |
| Restricted Cash and cash equivalents | - | 9,981 | 9,981 |
| Total Other Assets | - | 9,981 | 9,981 |
| <u>Capital Assets:</u> | | | |
| Capital Assets, net of Accum. Depreciation | - | - | - |
| Total Capital Assets | - | - | - |
| TOTAL ASSETS | 162,382 | 68,109 | 230,490 |
| <u>LIABILITIES</u> | | | |
| <u>Current Liabilities:</u> | | | |
| Due to Other Funds | - | - | - |
| Due to Other Governments | - | - | - |
| Notes Payable - Current Portion | - | 2,468 | 2,468 |
| Total Current Liabilities | - | 2,468 | 2,468 |
| <u>Long-Term Liabilities:</u> | | | |
| Notes Payable - Long-Term | - | 115,274 | 115,274 |
| Total Long-Term Liabilities | - | 115,274 | 115,274 |
| TOTAL LIABILITIES | - | 117,742 | 117,742 |
| <u>NET POSITION</u> | | | |
| Net investment in capital assets | - | (117,742) | (117,742) |
| Restricted for: | | | - |
| Debt Service | - | 9,981 | 9,981 |
| Other Purposes | - | - | - |
| Unrestricted | 162,382 | 58,128 | 220,509 |
| TOTAL NET POSITION | \$ 162,382 | \$ (49,634) | \$ 112,748 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF WHITEFIELD, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses)/ Revenue |
|---------------------------------------|------------------|-------------------------|------------------------------------------|----------------------------------------|-------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| Current: | | | | | |
| General Government | \$ 44,793 | \$ - | \$ - | \$ - | \$ (44,793) |
| Public Safety | 746 | - | - | - | (746) |
| Total Governmental Activities | 45,539 | - | - | - | (45,539) |
| Business-type activities: | | | | | |
| Sewer | 52,585 | 44,524 | - | - | (8,060) |
| Other Business-type Activities | - | - | - | - | - |
| Total Business-type Activities | 52,585 | 44,524 | - | - | (8,060) |
| Total | \$ 98,124 | \$ 44,524 | \$ - | \$ - | \$ (53,600) |

Changes in Net Position:

| | Governmental Activities | Business-Type Activities | Total |
|-----------------------------------------------|----------------------------|-----------------------------|-------------------|
| Net (expense)/revenue | \$ (45,539) | \$ (8,060) | \$ (53,600) |
| General revenues: | | | |
| Taxes: | | | |
| Sales Tax | 29,529 | - | 29,529 |
| Use Tax | 2,200 | - | 2,200 |
| Cigar Tax | 361 | - | 361 |
| Franchise Tax | 7,324 | - | 7,324 |
| Intergovernmental: | | | |
| Alcoholic Beverage Tax | 6,499 | - | 6,499 |
| Gasoline Excise Tax | 718 | - | 718 |
| Motor Vehicle Tax | 3,041 | - | 3,041 |
| Rental Income | 650 | - | 650 |
| Miscellaneous Income | 1,526 | - | 1,526 |
| Interest Income | 816 | 310 | 1,126 |
| Transfers - Internal Activity | - | - | - |
| Total general revenues & transfers | 52,662 | 310 | 52,972 |
| Changes in net position | 7,123 | (7,750) | (627) |
| Net position - beginning | 155,259 | (41,883) | 113,375 |
| Net position - prior year adjustment | - | - | - |
| Net position - ending | \$ 162,382 | \$ (49,634) | \$ 112,748 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF WHITEFIELD, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2014

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------------|-------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash, including time deposits | \$ 162,382 | \$ - | \$ 162,382 |
| Due from other funds | - | - | - |
| TOTAL ASSETS | <u>\$ 162,382</u> | <u>\$ -</u> | <u>\$ 162,382</u> |
| LIABILITIES & FUND EQUITY | | | |
| LIABILITIES: | | | |
| Due to Other Funds | \$ - | \$ - | \$ - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES: | | | |
| Nonspendable | - | - | - |
| Restricted | - | - | - |
| Committed | - | - | - |
| Assigned | - | - | - |
| Unassigned | 162,382 | - | 162,382 |
| TOTAL FUND BALANCES | <u>162,382</u> | <u>-</u> | <u>162,382</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 162,382</u> | <u>\$ -</u> | |

Reconciliation to Statement of Net Position:

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities of \$0, net of accumulated depreciation of \$0, are not financial resources and, therefore, are not reported in the funds. -

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds. -

Net Position of Governmental Activities \$ 162,382

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF WHITEFIELD, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------------|-------------------|--------------------------------|--------------------------------|
| REVENUES: | | | |
| Taxes: | | | |
| Sales Tax | \$ 29,529 | \$ - | \$ 29,529 |
| Use Tax | 2,200 | - | 2,200 |
| Cigar Tax | 361 | - | 361 |
| Franchise Tax | 7,324 | - | 7,324 |
| Intergovernmental: | | | |
| Alcoholic Beverage Tax | 6,499 | - | 6,499 |
| Gasoline Excise Tax | 718 | - | 718 |
| Motor Vehicle Tax | 3,041 | - | 3,041 |
| Grants | - | - | - |
| Rental Income | 650 | - | 650 |
| Miscellaneous Income | 1,526 | - | 1,526 |
| Interest Income | 816 | - | 816 |
| TOTAL REVENUES | 52,662 | - | 52,662 |
| EXPENDITURES: | | | |
| Current: | | | |
| General Government | 44,793 | - | 44,793 |
| Public Safety - Fire | 746 | - | 746 |
| Debt Service | - | - | - |
| Capital Outlay | - | - | - |
| TOTAL EXPENDITURES | 45,539 | - | 45,539 |
| EXCESS OF REVENUES OVER (UNDER) | | | |
| EXPENDITURES | 7,123 | - | 7,123 |
| OTHER FINANCING SOURCES (USES): | | | |
| Operating Transfers In | - | - | - |
| Operating Transfers Out | - | - | - |
| Capital Debt Proceeds | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - |
| NET CHANGES IN FUND BALANCES | 7,123 | - | 7,123 |
| FUND BALANCE - BEGINNING OF YEAR | 155,259 | - | 155,259 |
| FUND BALANCE - PRIOR YEAR ADJUSTMENT | - | - | - |
| FUND BALANCE - END OF YEAR | \$ 162,382 | \$ - | 162,382 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF WHITEFIELD, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Reconciliation to Statement of Activities:

| | | |
|--------------------------------------------------------|----|-------|
| Net change in fund balances - total governmental funds | \$ | 7,123 |
|--------------------------------------------------------|----|-------|

Amounts reported for governmental activities in the Statement of Activities are different because:

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

| | | |
|--------------------------------------------|--|---|
| Capital debt obligation principal payments | | - |
|--------------------------------------------|--|---|

Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Position:

| | | |
|-----------------------|--|---|
| Capital Debt Proceeds | | - |
|-----------------------|--|---|

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

| | | |
|-------------------------------------|--|---|
| Capital asset purchases capitalized | | - |
| Depreciation expense | | - |

| | | |
|--|----|-------|
| | \$ | 7,123 |
|--|----|-------|

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF WHITEFIELD, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2014**

| | Whitefield Municipal Authority Enterprise Fund June 30, 2014 |
|-------------------------------------------------|---------------------------------------------------------------------------------|
| <u>ASSETS</u> | |
| Current Assets: | |
| Cash and cash equivalents | \$ 58,128 |
| Due from Other Funds | - |
| Total Current Assets | 58,128 |
| Noncurrent Assets: | |
| Restricted cash and cash equivalents | 9,981 |
| Capital assets, net of accumulated depreciation | - |
| Total Noncurrent Assets | 9,981 |
| TOTAL ASSETS | 68,109 |
| <u>LIABILITIES & FUND EQUITY</u> | |
| Current Liabilities: | |
| Current portion of Notes Payable | 2,468 |
| Total Current Liabilities | 2,468 |
| Noncurrent Liabilities: | |
| Notes Payable - USDA Rural Development | 117,742 |
| Less: Current Portion | (2,468) |
| Total Noncurrent Liabilities | 115,274 |
| TOTAL LIABILITIES | 117,742 |
| NET POSITION: | |
| Net investment in capital assets | (117,742) |
| Restricted for debt service | 9,981 |
| Unrestricted | 58,128 |
| TOTAL NET POSITION | \$ (49,634) |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF WHITEFIELD, OKLAHOMA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 - MODIFIED CASH BASIS -
 PROPRIETARY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Whitefield Municipal Authority Enterprise Fund |
|---------------------------------------------------------------|------------------------------------------------------|
| | <u>June 30, 2014</u> |
| <u>OPERATING REVENUES:</u> | |
| Sewer Charges | \$ 29,665 |
| Tap Fees | - |
| Miscellaneous | 14,860 |
| TOTAL OPERATING REVENUES | <u>44,524</u> |
| <u>OPERATING EXPENSES:</u> | |
| Current: | |
| Sewer: | |
| Utilities | 3,638 |
| Trustee Expense | - |
| Supplies/Repairs | 23,356 |
| DEQ | 830 |
| Insurance/Bonds | 954 |
| Testing | 1,370 |
| Wages | 12,557 |
| Professional Fees | 1,680 |
| Miscellaneous | 2,843 |
| Depreciation | - |
| TOTAL OPERATING EXPENSES | <u>47,228</u> |
| NET OPERATING INCOME (LOSS) | <u>(2,704)</u> |
| NON-OPERATING REVENUES (EXPENSES) | |
| Interest Income | 310 |
| Interest Expense | (5,357) |
| Grant Income | - |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>(5,047)</u> |
| NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS | <u>(7,750)</u> |
| Transfers in | - |
| Transfers out | - |
| CHANGE IN NET POSITION | <u>(7,750)</u> |
| TOTAL NET POSITION - BEGINNING | <u>(41,883)</u> |
| TOTAL NET POSITION - PRIOR YEAR ADJUSTMENT | <u>-</u> |
| TOTAL NET POSITION - ENDING | <u><u>\$ (49,634)</u></u> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF WHITEFIELD, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | <u>June 30, 2014</u> |
|------------------------------------------------------------------------------|--------------------------|
| <u>Cash Flows from Operating Activities:</u> | |
| Receipts from Customers | \$ 44,524 |
| Payments to Suppliers, Employees & Laborers | (47,228) |
| Net Cash Provided (Used) by Operating Activities | <u>(2,704)</u> |
| <u>Cash Flows from Non-Capital Financing Activities:</u> | |
| Grant Income | - |
| Operating Transfers in | - |
| Operating Transfers Out | - |
| Net Cash Provided (Used) by Non-Capital Financing Activities | <u>-</u> |
| <u>Cash Flows from Capital & Related Financing Activities:</u> | |
| Additions to Capital Assets | - |
| Loan Proceeds received | - |
| Principal paid | (2,359) |
| Interest paid | (5,357) |
| Net Cash Provided (Used) by Capital & Related Financing Activities | <u>(7,716)</u> |
| <u>Cash Flows from Investing Activities:</u> | |
| Interest Earned | 310 |
| Net Cash Provided (Used) by Investing Activities | <u>310</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (10,110) |
| Cash & Cash Equivalents, Beginning of Year | 78,218 |
| Cash & Cash Equivalents, Prior Year Adjustment | - |
| Cash & Cash Equivalents, End of Year | <u><u>\$ 68,109</u></u> |
| <u>Reconciliation of operating income (loss) to net cash provided</u> | |
| <u>operating activities:</u> | |
| Net Operating Income (Loss) | \$ (2,704) |
| Adjustments to reconcile operating income (loss) to net cash | |
| provided (used) by operating activities | |
| Depreciation Expense | - |
| (Increase)Decrease in Due from Other Funds | - |
| Increase(Decrease) in Due to Other Funds | - |
| Net Cash Provided (Used) by Operating Activities | <u><u>\$ (2,704)</u></u> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF WHITEFIELD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C., these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. FINANCIAL REPORTING ENTITY

The Town's financial reporting entity is comprised of the following:

| | |
|--------------------------|-----------------------------------------|
| Primary Government: | Town of Whitefield |
| Blended Component Units: | Whitefield Municipal Authority (WMA) |

PRIMARY GOVERNMENT

The Town of Whitefield, Oklahoma was organized under the statutes of the State of Oklahoma. The Town operates under a council form of government and is governed by a five member board of trustees. The trustees elect a mayor from their own body. The Town provides the following services as authorized by its charter: general government, public safety (fire), streets and public works (sewer) for the geographical area organized as the Town of Whitefield, Oklahoma.

The Town, for financial purposes, includes all of the funds relevant to the operations of the Town of Whitefield. The financial statements presented herein do not include agencies, which have been formed under applicable state laws or separate and district units of government apart from the Town of Whitefield.

The financial statements of the Town include those of any separately administered organization that is controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. Based on the foregoing criteria, the financial statements of the Whitefield

TOWN OF WHITEFIELD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Municipal Authority are included in the accompanying financial statements and reported as an enterprise fund within the Proprietary fund type. The Town Trustees also serve as the trustees of the Authority.

BLENDED COMPONENT UNITS

A blended component unit is a separate legal entity for which the elected officials of the primary government are financially accountable and that meets the blended component unit criteria. A blended component unit meets at least one of the following criteria: (a) the blended component unit's governing body is the same or substantially the same as the Town Council, and there is a financial benefit or burden relationship with the Town, or Town management has operational responsibility for the component unit; (b) the component unit provides services entirely or almost entirely to the Town; or (c) the component unit's debt is expected to be repaid entirely or almost entirely with resources of the Town. The blended component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. The Town's blended component unit is presented subsequently:

Whitefield Municipal Authority included in WMA Enterprise Fund.

B. BASIS OF PRESENTATION

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services.

TOWN OF WHITEFIELD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Fund Financial Statements

The Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of government and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column.

Fund Accounting

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are two categories of funds: governmental and proprietary.

Governmental Fund Types

Governmental Fund Types are used to account for the Town's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenue, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting certain assets and their related revenue and certain liabilities and their related expenses are not recorded in these financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting.

The following are the Town's major governmental funds:

General Fund is the general operating fund of the Town. It accounts for all financial resources of the general

TOWN OF WHITEFIELD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

government, except those required to be accounted for in another fund.

Special Revenue Funds account for revenue sources that are either legally restricted to expenditures for specific purposes or designated to finance particular functions of the Town. The Town currently has no Special Revenue Funds.

Proprietary Fund Types

The MA Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing services, such as sewer, water and trash, on a continuing basis, are financed through user charges, paid by the general public. Proprietary fund types utilize the modified cash basis of accounting. Under this method, revenues and expenses are recorded when they result from cash transactions.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

Measurement Focus

In the government-wide State of Net Position and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, subsequently defined in item (b).

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period.

TOWN OF WHITEFIELD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

These funds use fund balance as their measure of available spendable financial resources at the end of the period.

- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determinations of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Town utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

TOWN OF WHITEFIELD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

D. FINANCIAL POSITION

Deposits and Investments

Oklahoma Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statements of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at cost.

Restricted Cash

The restricted cash is the result of financial requirements of promissory notes between the Whitefield Municipal Authority and the USDA Rural Development which consist of funds held in a Debt Service Reserve Account.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determination of depreciation expense); accordingly, actual results could differ from those estimates.

Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of governmental fund-type and proprietary fund inventories are recorded as expenditures when purchased rather than when consumed.

TOWN OF WHITEFIELD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Capital Assets

The Town has not maintained accurate capital asset records to support historical cost of past capital asset purchases. The modified cash basis of accounting requires that items, having substantial support in U.S. generally accepted accounting principles, such as capitalizing assets at historical cost and recording depreciation, be recorded in the financial statements. Documentation supporting historical cost is not readily available. The amount by which this departure would affect the assets, net position, and expenses of the Governmental Activities is not readily determinable.

Compensated Absences

Compensated absences have not been determined because the Town prepares its financial statements on the modified cash basis of accounting. According to generally accepted accounting principles the liability for compensated absences should be accrued.

Revenues, Expenditures and Expenses

Property Tax

For the year ended June 30, 2014, the Town levied no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on generally obligation bonded debt approved by voters and court-assessed judgments.

Expenditures/Expenses

For purposes of the combined operating statements, expenditures/expenses are classified as follows:

Governmental Fund Types - By Character: Current
(further classified by activity)

Proprietary Fund Types - By Operating and Non-Operating

Governmental fund types report expenditures of financial resources. Proprietary fund types normally report expenses relating to use of economic resources.

TOWN OF WHITEFIELD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Equity Classification

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the Town's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

- Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally

TOWN OF WHITEFIELD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.
- Unassigned - Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The Town currently does not have any Major Special Revenue Funds.

NOTE 2 - BUDGETARY ACCOUNTING AND CONTROL

The Town's annual operating budget represents appropriations as authorized by the Board of Trustees and County Excise Board in accordance with the provisions of Title 68 of the Oklahoma Statutes. The Town's budget is limited by law to 90% of the amount of revenue collected in the prior year plus unreserved fund balance. In addition, revisions may be made to the budget throughout the year as authorized by the Board of Trustees and County Excise Board. The legal level of control of the budget is the expenditures category within a department. The expenditure categories required by the applicable State Statutes are:

1. Personal Services;
2. Maintenance and Operations; and
3. Capital Outlay

By law, unencumbered appropriations lapse after September 30 following the end of the fiscal year; therefore, claims on such appropriations may be paid until that time.

TOWN OF WHITEFIELD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 - CASH AND INVESTMENTS

Custodial Credit Risk

At June 30, 2014, the Town held deposits of approximately \$230,490 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the Town's name.

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

TOWN OF WHITEFIELD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - RESTRICTED ASSETS

The loan agreement with the United States Department of Agriculture Rural Development (USDA) requires the Authority to set aside into a Reserve Account an accumulated amount equal to the sum of the annual installment (\$7,716), after which deposits may be suspended, except to replace withdrawals. The Authority cannot withdraw funds from the reserve account without USDA approval. As of June 30, 2014, the Authority was required to have at least \$7,716.00 set aside in the reserve account; as of that date the account balance for the reserve account was \$9,980.98, which complies with the covenants of the loan agreement.

NOTE 5 - CAPITAL ASSETS

Town of Whitefield:

The Town does not maintain capital asset records.

Whitefield Municipal Authority:

The Municipal Authority does not maintain capital asset records.

NOTE 6 - LONG-TERM DEBT

Government Fund Debt

The Town currently does not have any Government Fund Debt.

Whitefield Municipal Authority Debt

The Whitefield Municipal Authority entered into a loan agreement with Rural Development (USDA). The original loan amount is \$140,000 with a 40-year term. Repayment will be made in monthly payments of \$643.00 with an interest rate of 4.50%. This note is secured by a mortgage on the land, equipment, and revenues of the sewer system.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

| | Balance at June 30, 2013 | Additions | Deductions | Balance at June 30, 2014 |
|--------------------------|-----------------------------|-------------|---------------------|-----------------------------|
| Notes Payable: | | | | |
| USDA - Rural Development | \$ 120,101.68 | \$ - | \$(2,359.43) | \$ 117,742.25 |
| Total Long-Term Debt | <u>\$ 120,101.68</u> | <u>\$ -</u> | <u>\$(2,359.43)</u> | <u>\$ 117,742.25</u> |

TOWN OF WHITEFIELD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Debt Service Requirements to Maturity for Long-Term Debt

USDA - Rural Development:

| FYE June 30, | Principal | Interest | Total |
|--------------|----------------------|---------------------|----------------------|
| 2015 | \$ 2,468.16 | \$ 5,247.84 | \$ 7,716.00 |
| 2016 | 2,581.54 | 5,134.46 | 7,716.00 |
| 2017 | 2,700.12 | 5,015.88 | 7,716.00 |
| 2018 | 2,824.18 | 4,891.82 | 7,716.00 |
| 2019 | 2,953.91 | 4,762.09 | 7,716.00 |
| 2020-2024 | 16,934.21 | 21,645.79 | 38,580.00 |
| 2025-2029 | 21,198.14 | 17,381.86 | 38,580.00 |
| 2030-2034 | 26,535.71 | 12,044.29 | 38,580.00 |
| 2035-2039 | 33,217.30 | 5,362.70 | 38,580.00 |
| 2040 | 6,328.98 | 130.66 | 6,459.64 |
| | <u>\$ 117,742.25</u> | <u>\$ 81,617.39</u> | <u>\$ 199,359.64</u> |

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Grant Programs

The Town participates in the certain federal and state grant programs as available, currently the town is not participating in any ongoing programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. The amount of expenditures that may be disallowed by the granting agency cannot be determined at this time, although it is believed by the Town that the amount, if any, would not be significant.

Litigation

The financial statements do not include accrual or provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, such judgments may become liabilities only of the Debt Service Fund and only in the year in which tax revenue is specifically assessed for payment of the claim, and only to the extent of the taxes so specifically assessed in that year. Such claims are generally paid through special tax assessments over a three-year period.

Accordingly, the Town believes that such claims should be recorded in the year in which taxes are assessed for payment on the claim, only to the extent of such tax revenue that is actually provided. This method is preferable to the conflicting rule for treatment of loss contingencies as set out in Statement of Financial Accounting Standards No.5 (issued by the Financial Accounting Standards Board) wherein contingencies should be recorded in full in the year in which

TOWN OF WHITEFIELD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

it is probable that a liability has been created if the amount of loss can be reasonably estimated.

NOTE 8 - EMPLOYEE RETIREMENT PLAN

Description of the Plan

Only the Town's volunteer firemen are covered by a pension plan. This noncontributory plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). The Oklahoma Firefighters Pension and Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105-3414, or by calling 1-800-525-7461.

Funding Policy

The Town is required to make annual contributions of \$60.00 per active volunteer fireman to OFPRS. This contribution covers a portion of the cost of benefits that will be paid to vested volunteer firemen. Additional funding comes from a percentage on all taxes collected on premiums collected by insurance companies and appropriation by the State of Oklahoma.

The Town's contribution to OFPRS was \$480.00 for 2014.

NOTE 9 - GOVERNMENTAL FUND BALANCES

Town of Whitefield
Disclosure of Fund Balances Reported on Balance Sheet
For Fiscal Year Ending June 30, 2014

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|-----------------------|-------------------|--------------------------------|--------------------------------|
| <u>FUND BALANCES:</u> | | | |
| Assigned | \$ - | \$ - | \$ - |
| Unassigned | 162,382 | - | 162,382 |
| Total | <u>\$ 162,382</u> | <u>\$ -</u> | <u>\$ 162,382</u> |

TOWN OF WHITEFIELD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through August 27, 2014, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2014.

TOWN OF WHITEFIELD, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|-----------------------------------------------------|-------------------------|--------------|----------------|----------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| | | | | <u>Positive (Negative)</u> |
| Beginning Budgetary Fund Balance: | \$ 155,259 | \$155,259 | \$155,259 | \$ - |
| <u>Resources (Inflows):</u> | | | | |
| Sales Tax | 26,194 | 26,194 | 29,529 | 3,334 |
| Use Tax | 1,998 | 1,998 | 2,200 | 202 |
| Cigar Tax | 338 | 338 | 361 | 23 |
| Franchise Tax | 5,821 | 5,821 | 7,324 | 1,503 |
| Alcoholic Beverage Tax | 8,128 | 8,128 | 6,499 | (1,629) |
| Gasoline Excise Tax | 653 | 653 | 718 | 65 |
| Commercial Vehicle Tax | - | - | 3,041 | 3,041 |
| Grants | - | - | - | - |
| Rental Income | 563 | 563 | 650 | 88 |
| Interest Income | 1,064 | 1,064 | 816 | (248) |
| Miscellaneous Income | 1,217 | 1,217 | 1,526 | 309 |
| Transfers In | - | - | - | - |
| Amounts available for appropriation | 201,234 | 201,234 | 207,921 | 6,687 |
| <u>Charges to Appropriations (Outflows):</u> | | | | |
| General Government | 70,000 | 70,000 | 44,793 | 25,207 |
| Public Safety - Fire | 25,000 | 25,000 | 746 | 24,254 |
| Debt Service | - | - | - | - |
| Capital Outlay | 106,234 | 106,234 | - | 106,234 |
| Transfers Out | - | - | - | - |
| Total Charges to Appropriations | 201,234 | 201,234 | 45,539 | 155,694 |
| Prior Year Adjustments to Fund Balance | - | - | - | - |
| Ending Budgetary Fund Balance | - | - | 162,382 | 162,382 |

TOWN OF WHITEFIELD, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2014

The Town's annual operating budget represents appropriations as authorized by the Board of Trustees and County Excise Board in accordance with the provisions of Title 68 of the Oklahoma Statutes. The Town's budget is limited by law to 90% of the amount of revenue collected in the prior year plus unreserved fund balance. In addition, revisions may be made to the budget throughout the year as authorized by the Board of Trustees and County Excise Board. The legal level of control of the budget is the expenditures category within a department. The expenditure categories required by the applicable State Statutes are:

1. Personal Services;
2. Maintenance and Operations; and
3. Capital Outlay

The budget is prepared on the same modified cash basis of accounting as applied to the basic financial statements. Revenues and expenses are reported when they result from cash transactions.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Town Council
Town of Whitefield, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Whitefield, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the Town of Whitefield, Oklahoma's basic financial statements, and have issued our report thereon dated August 27, 2014, which was qualified for the improper capital asset recordkeeping.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Whitefield's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Whitefield's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Whitefield's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations,

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during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that we consider to be significant deficiencies. Those deficiencies are listed as Item 14-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Whitefield's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Town of Whitefield's Response to Findings

Town of Whitefield's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Town of Whitefield's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kershaw CPA & Associates, P.C.

Kershaw CPA & Associates, PC

August 27, 2014

TOWN OF WHITEFIELD, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2014

INTERNAL CONTROL FINDINGS:

Item 14-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the Town.

Response: The Board continues to be actively involved in the operations of the Town.